

**MIDWESTERN OKLAHOMA DEVELOPMENT  
AUTHORITY  
Burns Flat, Oklahoma**

**Annual Financial Statements and  
Accompanying Independent Auditor's Report**

**YEAR ENDED  
September 30, 2014**

MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**

**LIST OF PRINCIPAL OFFICIALS**

**BOARD MEMBERS**

Don Greteman, Chairman

Alex Damon, Vice-chairman

Guy Hylton, Secretary

Chuck Dougherty

Scott Grubitz

Jason Hulin

**EXECUTIVE DIRECTOR**

Kathy Carlisle

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**INDEPENDENT AUDITOR'S REPORT**

***David O. Tate***

Certified Public Accountant  
112 North Oklahoma, Suite A  
Mangum, Oklahoma 73554

**Independent Auditor's Report**

To the governing body of  
Midwestern Oklahoma Development Authority

I have audited the accompanying financial statements of the Midwestern Oklahoma Development Authority as of and for the year ended September 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I plan and perform my audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Midwestern Oklahoma Development Authority as of September 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

**Other matters**

In accordance with "Government Auditing Standards", I have issued my report dated February 3, 2015 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of my audit.

A handwritten signature in black ink that reads "David O. Tate". The signature is written in a cursive style with a large initial 'D' and 'T'.

Certified Public Accountant  
Mangum, Oklahoma  
February 3, 2015

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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Our discussion and analysis of Midwestern Oklahoma Development Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the Authority's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- For the fiscal year ended September 30, 2014, the Authority's total net position increased by \$364,731 or 5.74% from the prior year.
- During the year, Authority's expenses for business-type activities amounted to \$777,649 and were funded by operating revenues of \$885,748 and further funded with other general revenues (investment income) that totaled \$256,632.
- In the Authority's business-type activities, program revenues exceeded expenses by \$108,099.
- At September 30, 2014, the proprietary fund reported unrestricted net assets of \$2,391,227.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the Midwestern Oklahoma Development Authority using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for its business-type activities. The government-wide financial statements present the complete financial picture of the Authority from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the Authority (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

**REPORTING THE AUTHORITY AS A WHOLE**

**The Statement of Net Assets and the Statement of Activities**

One of the most frequently asked questions about the Authority's finances is, "Has the Authority's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the Authority's net assets and changes in them from the prior year. You can think of the Authority's net assets, the difference between assets and liabilities, as one way to measure the Authority's financial condition, or position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady.

However, you must consider other nonfinancial factors, such as changes in the Authority's economic base to assess the overall health and performance of the Authority.

The Statement of Net Assets and the Statement of Activities are normally divided into two kinds of activities:

- Governmental activities- Basic services are reported here. However, all of the Authority's activities are reported as business-type activities (see below).
- Business-type activities- The Authority charges a fee to customers to help cover all or most of the cost of certain services it provides. The Authority's rentals, economic development, and administrative activities are reported here.



**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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**Reporting the Authority's Most Significant Funds**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds- not the Authority as a whole. Some funds are required to be established by State law and by bond covenants. However, management may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

*Proprietary funds-* When the Authority charges customers for the services it provides, whether to outside customers or to other units of the Authority, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the Authority's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

**A FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

**Net Assets**

The Authority's combined net assets increased from \$6,357,804 to \$6,722,535 between fiscal years 2013 and 2014.

	<b>Business-Type Activities</b>	
	<b>2014</b>	<b>2013</b>
Current assets	\$ 3,872,040	\$ 3,458,531
Capital assets, net	3,121,302	3,144,084
Total assets	6,993,342	6,602,615
Current liabilities	200,971	155,217
Non-current liabilities	69,836	89,594
Total liabilities	270,807	244,811
Net assets		
Invested in capital assets, net of related debt	3,121,302	3,144,084
Restricted	1,210,006	1,121,356
Unrestricted	2,391,227	2,092,364
Total net assets	\$ 6,722,535	\$ 6,357,804

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

**Changes in Net Position**

For the year ended September 30, 2014, net position of the primary government changed as follows:

	<b><u>Business-type Activities</u></b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Revenues</b>		
Program revenues	\$ 885,748	\$ 853,677
Other general revenues	256,632	137,912
<b>Total revenues</b>	<b><u>1,142,380</u></b>	<b><u>991,589</u></b>
<b>Expenses</b>		
Administrative	150,239	155,463
Rentals	482,112	502,142
Economic development	145,298	171,043
<b>Total expenses</b>	<b><u>777,649</u></b>	<b><u>828,648</u></b>
<b>Increase (decrease) in net position</b>	<b><u>\$ 364,731</u></b>	<b><u>\$ 162,941</u></b>

The business-type activities' increase in net position of \$364,731 represents 5.74% positive change in net position. The results indicate that, as a whole, the Authority's financial condition improved over the prior year.

**Business-type Activities**

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net operating revenue of \$108,099 for the year ended September 30, 2014.
- Housing rentals activity reported net revenue for the year ended September 30, 2014 in the amount of \$339,414. The administrative and economic development activities reported net expenses of \$86,017 and \$145,298 respectively.

**Net Revenue (Expense) of Business-Type Activities**

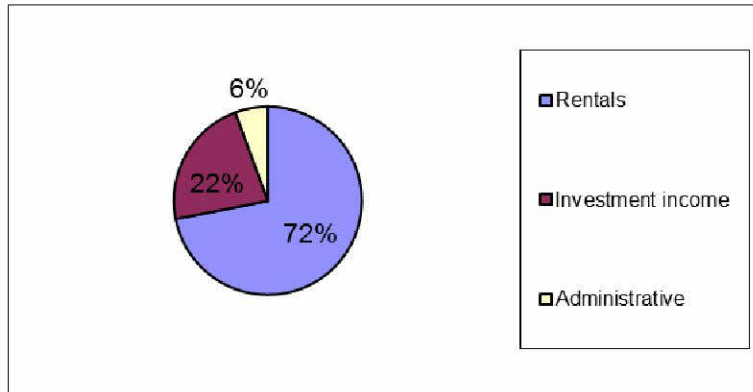
	<b><u>Total Expense of Services</u></b>	<b><u>Net Revenue (Expense) of Services</u></b>
Administrative	\$ 150,239	\$ (86,017)
Rentals	482,112	339,414
Economic development	145,298	(145,298)
<b>Total</b>	<b><u>\$ 777,649</u></b>	<b><u>\$ 108,099</u></b>

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

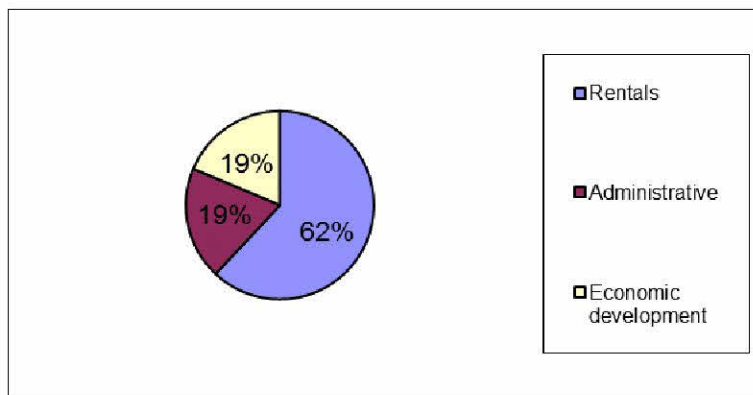
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For the year ended September 30, 2014, the Authority's business-type activities were funded as follows:

**Business-type Activity Sources**



**Business-type Activity Uses**



**A FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS**

As the Authority completed its 2014 fiscal year, the enterprise fund reported net position of \$6,722,535 or a 5.74% increase over 2013.

Other fund highlights include:

- For the year ended September 30, 2014, the Authority did not open up any remodeled units for rental. The total number of units available for rental remains at 185.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of September 30, 2014, the Authority had \$3,144,084 invested in capital assets, net of depreciation, including duplexes held for rental, office building and equipment, vehicles and housing maintenance equipment in business-type activities. (See table below).

**Primary Government Capital Assets (net of  
accumulated depreciation)**

	<b>Business-type Activities</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
Land	\$ 99,823	\$ 92,373
Buildings	6,382	8,130
Duplexes held for resale	3,013,144	3,036,987
Machinery & equipment	1,953	6,594
<b>Totals</b>	<b><u>\$ 3,121,302</u></b>	<b><u>\$ 3,144,084</u></b>

This year's more significant capital asset additions included:

- In Business-Type Activities, \$85,856 for other capitalized improvements to duplexes and \$7,450 for land located on Highway 44.

See Note 3 to the financial statements for more detail information on the Authority's capital assets and changes therein.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

There continues to be significant oil and gas exploration and wind energy production in western Oklahoma. There is a shortage of housing in western Oklahoma and the demand for rentals of the Authority owned duplexes will increase and will spur the economy in the area. In order to be prepared to meet this need, the Authority continues to open up additional duplexes for rentals and upgrade existing duplexes and explore other housing type projects. Level projections were budgeted for investment income.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director's Office at 500 North Holcomb, P.O. Box 549, Burns Flat, Oklahoma, 73624 or phone at (580) 562-3111.

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**BASIC FINANCIAL STATEMENTS**

**Midwestern Oklahoma Development Authority**  
**Statement of Net Position**  
**September 30, 2014**

<b>ASSETS</b>	<b>Business-type Activity</b>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 408,275
Investments	3,417,690
Interest receivable	7,068
Accounts receivable, net of allowance	23,337
Prepaid items	15,670
<b>Capital assets (net)</b>	
Nondepreciable land	99,823
Duplexes (net of accumulated depreciation)	3,013,144
Other capital assets (net of accumulated depreciation)	8,335
<b>Total assets</b>	<b>6,993,342</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total deferred outflows of resources	-
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued liabilities	\$ 200,971
<b>Noncurrent liabilities:</b>	
Due within one year	4,022
Due in more than one year	65,814
<b>Total liabilities</b>	<b>270,807</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total deferred outflows of resources	-
<b>NET POSITION</b>	
Net investment in capital assets	3,121,302
<b>Restricted for:</b>	
Major catastrophe	674,155
Repair/upkeep of airpark	525,701
Educational loan fund	10,150
Unrestricted	2,391,227
<b>Total net position</b>	<b>\$ 6,722,535</b>

**Midwestern Oklahoma Development Authority**  
**Statement of Activities**  
**Year Ended September 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants & Contributions
<b>Business-type activities:</b>					
Administrative	\$ 150,239	\$ 64,222	\$ -	\$ -	\$ (86,017)
Rentals	482,112	821,526	-	-	339,414
Economic development	145,298	-	-	-	(145,298)
Total business-type activities	<u>777,649</u>	<u>885,748</u>	<u>-</u>	<u>-</u>	<u>108,099</u>
Total primary government	<u>\$ 777,649</u>	<u>\$ 885,748</u>	<u>\$ -</u>	<u>\$ -</u>	108,099
<b>General revenues:</b>					
Investment income					<u>256,632</u>
Total general revenues					<u>256,632</u>
Change in net position					364,731
Net position-beginning					6,357,804
Net position-ending					<u>\$ 6,722,535</u>

**Midwestern Oklahoma Development Authority**  
**Statement of Net Position**  
**Proprietary Fund**  
**September 30, 2014**

	<b>Enterprise Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 408,275
Investments	3,417,690
Accrued interest receivable	7,068
Receivables:	
Rent receivables	4,937
Educational loan fund	18,400
Prepays	15,670
Total current assets	3,872,040
Noncurrent assets:	
Capital assets (net)	
Nondepreciable land	99,823
Duplexes, net of accumulated depreciation	3,013,144
Depreciable, net of accumulated depreciation	8,335
Total noncurrent assets	3,121,302
<b>Total assets</b>	<b>\$ 6,993,342</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 24,417
Economic development grants payable	176,554
Security deposit liability	2,961
Accrued compensated absences	1,061
Total current liabilities	204,993
Noncurrent liabilities:	
Security deposit liability	56,264
Accrued compensated absences	9,550
Total noncurrent liabilities	65,814
<b>Total liabilities</b>	<b>270,807</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	3,121,302
Restricted for major catastrophe	674,155
Restricted for repair/upkeep of airpark	525,701
Restricted for Educational Loan Fund	10,150
Unrestricted	2,391,227
<b>Total net position</b>	<b>\$ 6,722,535</b>



**Midwestern Oklahoma Development Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**Year Ended September 30, 2014**

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**Operating revenues:**

Housing rentals	\$ 817,876
PSO lease	60,000
Office rentals	4,000
Gain (loss) on sale of assets	(3,813)
Other income	7,685
Total operating revenues	<u>885,748</u>

**Operating expenses:**

Salaries and wages	215,868
Employee benefits	110,907
Advertising and promotion	5,457
Bad debt expense	4,247
Depreciation expense	116,088
Economic development	121,444
Insurance	26,706
Office supplies and expense	8,299
Other supplies and expense	17,092
Professional fees	37,983
Rent expenses	410
Repairs and maintenance	77,295
Telephone	4,818
Training and meeting expense	2,854
Travel	4,200
Utilities	23,981
Total operating expenses	<u>777,649</u>

Operating income (loss) 108,099

**Nonoperating revenue (expense):**

Investment income	256,632
Total nonoperating revenue (expense)	<u>256,632</u>

**Change in net position** **364,731**

Net position-beginning of year 6,357,804

Net position-end of year \$ 6,722,535

**Midwestern Oklahoma Development Authority**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended September 30, 2014**

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<b>Cash flows from operating activities:</b>	
Receipts from tenants	\$ 821,446
Receipts on installment sales	8,998
Receipts of other income	63,872
Payments to suppliers	(307,795)
Payments to employees	(216,146)
Receipts of additional security deposits	(403)
Payments to economic development recipients	(87,849)
<b>Net cash provided (used) by operating activities</b>	<u>282,123</u>
 <b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets and improvements to duplexes	(93,306)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(93,306)</u>
 <b>Cash flows from investing activities:</b>	
Investment income	256,652
Sale of investments	70,768
Purchase of investments of investments	(346,769)
<b>Net cash provided (used) by investing activities</b>	<u>(19,349)</u>
Net increase (decrease) in cash and cash equivalents	169,468
Cash and cash equivalents, October 1, 2013	<u>238,807</u>
Cash & cash equivalents, September 30, 2014	<u>\$ 408,275</u>
Cash and cash equivalents	\$ 408,275
Total cash and cash equivalents, end of year	<u>\$ 408,275</u>



**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Midwestern Oklahoma Development Authority (the "Authority") is a public trust created under the provisions of Title 60, Oklahoma Statutes 1961, Section 176 to 180, inclusive. Exemption from federal income tax was obtained under section 501 c (4) of the Internal Revenue Code.

The Authority's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In accordance with GASB Statement Nos. 20 and 34, for its governmental and business-type activities and enterprise funds, the Authority has elected to apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1.A. Financial Reporting Entity**

Midwestern Oklahoma Development Authority is a public trust organized in November 1969, for the purpose of administration and development of the Clinton-Sherman Airpark. The Authority is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The State of Oklahoma, as beneficiary of this Public Trust, receives title to any residual assets when a Public Trust is dissolved.

In determining the financial reporting entity, the Authority complies with the provisions of Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity.

**1.B. Basis of Presentation**

***Government-Wide Financial Statements***

The statement of net assets and statement of activities display information about the Authority as a whole. They include all financial activities of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All the Authority's business is reported as a business-type activity.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different business-type activities to arrive at the net revenue or expense of the activity prior to the use of other general revenues. Program revenues include (1) fees, fines, rent, and service charges generated by the activity, (2) operating grants and contributions that are restricted to meeting the operational requirements of the activity, and (3) capital grants and contributions that are restricted to meeting the capital requirements of the program or activity.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Separate financial statements are presented for its major fund category: proprietary. An emphasis of the fund financial statements is placed on major enterprise funds. A

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- a. Total assets, liabilities, revenues or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenses of the individual enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. A fund not meeting the criteria of (a) and (b), however management has elected to report the fund as a major fund due to its significance to users of the financial statements.

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as a nonmajor fund. The Authority has only one fund in the financial reporting entity and it is described below:

### **Proprietary Funds**

Proprietary funds include enterprise funds. Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

#### **1.C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe **how** transactions are recorded within the financial statements. Basis of accounting refers to **when** transactions are recorded regardless of the measurement focus applied.

#### **Measurement Focus**

##### *Government-wide and Proprietary Fund Financial Statements*

In the government-wide Statement of Net Position and the Statement of Activities, and the proprietary fund statements, the “*economic resources*” measurement focus is applied. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

#### **Basis of Accounting**

##### *Government-wide and Proprietary Fund Financial Statements*

In the government-wide Statement of Net Position and Statement of Activities, and the proprietary fund financial statements the accrual basis of accounting is applied. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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**1.D. Assets, Liabilities and Net Position/Fund Balance**

**Cash and Investments**

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and any short-term, highly liquid investments that are readily convertible to cash with a maturity of three months or less. Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Additional cash and investment disclosure is presented in Note 2.

**Receivables**

Proprietary fund and business-type activities material receivables consist of all revenues earned at year-end and not yet received. Billed residential rental receivables comprise the majority of these receivables. They are reported net of allowances for uncollectible accounts.

**Capital Assets and Depreciation**

In the government-wide financial statements, property, plant, and equipment are accounted for as capital assets. The Authority's capitalization threshold is \$1,000. All capital assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an operating expense in proprietary fund financial statements and an allocated expense in the Statement of Activities, which accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The housing units are not currently for resale, so they are being depreciated over 27 ½ years. The range of estimated useful lives by type of asset is as follows:

Buildings	10-15 years
Machinery and equipment	3-10 years
Duplexes held for rental	27.5 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow or resources (revenue) until that time. The authority has one item that qualifies for reporting in this category. It is deferred revenue for housing sales revenue that is collected on an installment basis. This amount is deferred and revenue recognized as the payments are received.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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**Compensated Absences**

The Authorities policies regarding vacation, sick and compensatory time permit employees to accumulate varying amounts as determined by management.

Compensated absences are reported as accrued in the government-wide and proprietary financial statements.

**Equity Classification**

*Government-Wide and Proprietary Fund Financial Statements:*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those areas.
- b. Restricted net position- Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**1.E. Revenues and Expenses**

For purposes of display, transactions deemed by management to be ongoing, major, or central to the preservation of and development of housing and industrial facilities at Clinton Sherman Industrial Airpark are reported as revenues and expenses.

Since termination of the Airpark lease with the City of Clinton, September 30, 1989, MODA's primary goal has been to sell or rent the balance of the housing units it owns and use the funds to develop and promote industrial development in Western Oklahoma.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing or investing activities.

In the government-wide statement of activities, expenses, including depreciation of capital assets, are reported by activity. In proprietary fund financial statements, expenses are reported by object or activity.

**1.G. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

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**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a governmental unit, the Authority is subject to various federal and state laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows:

**2.A. Fund Accounting Requirements**

The Authority complies, in all material respects, with all state laws and regulations requiring the use of separate funds. The legally required funds used by the Authority include the following:

Midwestern Oklahoma Development Authority- required by trust indenture

**2.B. Deposits and Investments Requirements**

In accordance with state law, all uninsured deposits of funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. At September 30, 2014 all deposits were fully insured or collateralized.

**(3) DETAIL NOTES- TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenses.

**Cash and Investments**

As of September 30, 2014 the Authority's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair value/ carrying amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Certificates of deposit	\$ 305,664	\$ 305,664	N/A	139
Federal agency notes	414,444	405,600	Aaa	4,017
Residential mortgage backed securities	17,157	17,095	Aaa	696
Mutual funds	2,615,021	2,325,178		
Limited partnerships	65,404	50,113		
Grand total investments	<u>\$ 3,417,690</u>	<u>\$ 3,103,650</u>		



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**Capital Assets**

Capital asset activity for the fiscal year ended September 30, 2014, was as follows:

	<u>Balance at October 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2014</u>
<b>Business-type activities</b>				
Non depreciable				
Land	\$ 92,373	\$ 7,450	\$ -	\$ 99,823
Total non-depreciable assets at historical cost	<u>92,373</u>	<u>7,450</u>	<u>-</u>	<u>99,823</u>
Depreciable				
Duplexes held for rental	3,240,330	85,856	-	3,326,186
Building	399,479	-	-	399,479
Machinery and equipment	155,484	-	-	155,484
Total depreciable assets at historical cost	<u>3,795,293</u>	<u>85,856</u>	<u>-</u>	<u>3,881,149</u>
Less accumulated depreciation				
Duplexes held for rental	(203,343)	(109,699)	-	(313,042)
Building	(391,349)	(1,748)	-	(393,097)
Machinery and equipment	(148,890)	(4,641)	-	(153,531)
Total accumulated depreciation	<u>(743,582)</u>	<u>(116,088)</u>	<u>-</u>	<u>(859,670)</u>
Net depreciable assets	<u>3,051,711</u>	<u>(30,232)</u>	<u>-</u>	<u>3,021,479</u>
Business-type capital assets, net	<u>\$ 3,144,084</u>	<u>\$ (22,782)</u>	<u>\$ -</u>	<u>\$ 3,121,302</u>

Depreciation expense was charged to functions in the statement of activities as follows:

Administrative	\$ 1,748
Housing sales	-
Rentals	114,340
Economic development	-
Total business-type activities depreciation expense	<u>\$ 116,088</u>

Housing units consist of the following as of September 30, 2014:

	<u>Single Family</u>	<u>Units</u>	<u>Total</u>
Total units owned at 9-30-13	2	199	201
Units sold during FYE 9-30-13	-	-	-
Units purchased during FYE 9-30-14	-	-	-
Total units owned at 9-30-14	<u>2</u>	<u>199</u>	<u>201</u>

All remaining units are being held for rental.

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**(4) HOME MORTGAGES**

Profit on the sale of the units sold on installment in prior years is recognized on a percentage of principle payments received each year. All existing home mortgages were paid off this fiscal year.

Home mortgage activity for the year ended September 30, 2014 is detailed below:

	Balance at October 1, 2013	Mortgages Issued	Mortgages Retired	Balance at September 30, 2014
Year Units Sold:				
2011	28,075	-	28,075	-
	<u>\$ 28,075</u>	<u>\$ -</u>	<u>\$ 28,075</u>	<u>\$ -</u>

**(5) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The following is a detail of the accounts payable and accrued liability balances as of September 30, 2014:

	Balance at September 30, 2014
Accounts payable - trade	\$ 24,184
Economic development grants	176,554
Payroll liabilities	233
Total accounts payable and accrued liabilities	<u>\$ 200,971</u>

**(6) LONG TERM LIABILITIES**

The following is a summary of changes in long term liabilities for the year ended September 30, 2014 :

	Balance at October 1, 2013	Amount Issued	Amount Retired	Balance at September 30, 2014	Due Within One Year
<b>Business-type activities:</b>					
Security deposits payable	\$ 59,628	\$ 21,625	\$ 22,028	\$ 59,225	\$ 2,961
Compensated absences	10,889	-	278	10,611	\$ 1,061
Total business-type activities	<u>\$ 70,517</u>	<u>\$ 21,625</u>	<u>\$ 22,306</u>	<u>\$ 69,836</u>	<u>\$ 4,022</u>

**(7) NET ASSETS- RESTRICTIONS**

The Board approved earmarking \$7,000 per month for major catastrophes, a type of "self insurance" for the duplexes, with the condition that the board can vote to use the money elsewhere in case of emergency. In the current fiscal year. The Board also approved setting aside the total net proceeds of the airpark gas system sale to be used only on the repair and upkeep of MODA owned property on the airpark. The amounts of the net asset restrictions are listed below:

	FYE 9/30/14	FYE 9/30/13
Restricted for major catastrophe	\$ 674,155	\$ 590,155
Restricted for repair/upkeep-airpark	525,701	525,701
Restricted for Educational loan fund	10,150	5,500
	<u>\$ 1,210,006</u>	<u>\$ 1,121,356</u>

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**(8) STATEMENT OF REVENUES AND EXPENSES**

MODA's primary sources of revenue are housing rentals and interest income. MODA's major expenses are general operational costs, housing maintenance costs, and economic development (exempt purpose) expense.

**(9) EMPLOYEE PENSION PLAN**

**Plan Description**

MODA participates in a cost sharing, multi-employer defined benefit pension plan adopted by MODA and administered by the Oklahoma Public Employees Retirement System which was established to administer pension plans for public employees. OPERS plan, as a whole, issues a separately issued annual financial report that may be obtained directly from them. Total MODA payroll was \$220,069; covered payroll was \$193,123 employee contributions were \$9,656, and employer contributions were \$25,338.

<b>Provision</b>	<b>Plan</b>
a. Eligible to Participate	Any officer or employee of a participating employer whose employment is not seasonal or temporary and whose employment requires at least 1,000 hours of work per year.
b. Contributions Requirements	
- Authorization	- By Board Approval
- Employer Rate	- 15% of covered payroll, effective 7/1/10
- Employee Rate	- 5% effective 7/1/06
c. Period Required to Vest	8 years of credited service
d. Eligibility for Distribution	- Normal retirement at age 62 with 6 years of service. - Early retirement at age 55 with 10 years of service. - Disability retirement upon disability with 8 years of credited service. - Death benefits for: (1) a member who has not retired (2) survivor benefit for spouses
e. Benefit Determination Base	Average annual salary – for the highest 3 of the last 10 years of participating service.
f. Benefit Determination Methods:	
- Normal Retirement	2.0% of final average compensation up to applicable maximum multiplied by all service.
- Early Retirement	Determined by normal retirement formula based on credited service and Final Average Compensation at termination.
- Disability Retirement	Determined by the normal retirement formula based on service and salary history at date of disability. Benefit is

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- payable immediately without actuarial reduction.
- Death Benefit Lump sum payment of \$5,000 (post retirement) (2) 50% of employee's accrued benefit (in-service death benefit)
- Prior to 8 Years Service Return of employee contributions.
- g. Form of Benefit Payment Normal form is single life monthly annuity with a guaranteed refund of the contribution accumulation.

**Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liab. (AAL) (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ©	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/09	\$6,208,245,334	\$9,291,457,837	\$3,083,212,503	66.8%	\$1,732,975,532	177.9%
7/1/10	\$6,348,416,407	\$9,622,627,833	\$3,274,211,426	66.0%	\$1,683,697,139	194.5%
7/1/11	\$6,598,627,939	\$8,179,767,661	\$1,581,139,722	80.7%	\$1,570,500,148	100.7%
7/1/12	\$6,682,200,296	\$8,334,637,900	\$1,652,437,604	80.2%	\$1,633,837,374	101.1%
7/1/13	\$6,978,873,421	\$8,556,121,906	\$1,577,248,485	81.6%	\$1,695,347,809	93.0%
7/1/14	\$7,759,257,716	\$8,753,669,153	\$994,411,437	88.6%	\$1,744,041,536	57.0%

**Schedule of Employer Contributions**

The GASB Statement No. 25 required and actual contributions are as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 323,104,773	75.2%
2010	\$ 389,155,339	66.8%
2011	\$ 402,011,633	62.9%
2012	\$ 240,131,738	109.4%
2013	\$ 256,596,988	105.2%

The above was determined as part of an actuarial valuation as of July 1, 2014, and is based upon all activity through June 30, 2014. The valuation was performed using the actuarial cost method "entry age normal"; assets were valued using a 5 year moving average with the level dollar closed amortization method. Significant actuarial assumptions used in the valuation were (a) assumed rate of return on investments, 7.5% per annum, compounded annually; (b) life expectancy of participants based upon published mortality tables (RP-2000 combined active/retiree healthy mortality table project to 2010 using Scale AA); (c) retirement age assumptions consistent with the normal retirement age assumptions under the Plan; and (d) salary increases on a graded scale ranging from 4.85% to 8.75% per year.

**(10) RISK MANAGEMENT**

The Authority is exposed to various risk of loss as follows:

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<u><b>Type of Loss</b></u>	<u><b>Method Managed</b></u>	<u><b>Risk of Loss Retained</b></u>
<b>General Liability</b> - Torts - Error and omissions - Officer liability - Vehicle	The Authority carries commercial insurance for these types of risk.	None
<b>Physical Plant</b> - Theft - Damages to assets - Natural disasters	The Authority carries commercial insurance for these types of risk.	None
<b>Workers Compensation</b> - Employees' injuries	The Authority carries Comp Source Oklahoma.	None
<b>Health and Life</b> - Medical - Disability - Dental - Life	The Authority carries commercial insurance for these types of risk.	None

Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**(11) COMMITMENTS AND CONTINGENCIES**

As of September 30, 2014, the Authority did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

***David O. Tate***

Certified Public Accountant  
112 North Oklahoma, Suite A  
Mangum, Oklahoma 73554

Report on internal control over financial reporting and on compliance  
and other matters based on an audit of financial statements  
performed in accordance with "Government Auditing Standards"

To the governing body of  
Midwestern Oklahoma Development Authority

I have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the financial statements of the Midwestern Oklahoma Development Authority as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Midwestern Oklahoma Development Authority's basic financial statements, and have issued my report thereon dated February 3, 2015.

**Internal control over financial reporting**

In planning and performing my audit of the financial statements, I considered the Midwestern Oklahoma Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mountain Park Conservancy District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Midwestern Oklahoma Development Authority's internal control.

A "deficiency in internal control" exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A "significant deficiency" is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether the Midwestern Oklahoma Development Authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

**Purpose of this report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "David O. Tate". The signature is written in a cursive style with a large initial 'D' and a long, sweeping tail on the 't'.

Certified Public Accountant  
Mangum, Oklahoma  
February 3, 2015